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<b>State:</b>	District of Columbia	<b>Filing Company:</b>	RLI Insurance Company
<b>TOI/Sub-TOI:</b>	05.0 CMP Liability and Non-Liability/05.0002 Businessowners		
<b>Product Name:</b>	RLI Home Business Insurance		
<b>Project Name/Number:</b>	/		

## Filing at a Glance

Company:	RLI Insurance Company
Product Name:	RLI Home Business Insurance
State:	District of Columbia
TOI:	05.0 CMP Liability and Non-Liability
Sub-TOI:	05.0002 Businessowners
Filing Type:	Rate/Rule
Date Submitted:	11/10/2016
SERFF Tr Num:	RLSC-130799732
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
Co Tr Num:	HBI-R-1016-R
Effective Date	03/01/2017
Requested (New):	
Effective Date	03/01/2017
Requested (Renewal):	
Author(s):	Tom Drucker, Cathy Barker, Mark Lucas
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

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## General Information

Project Name:	Status of Filing in Domicile: Not Filed
Project Number:	Domicile Status Comments: Illinois is our domiciled state. Illinois does not require the filing of rates/rules.
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 11/10/2016	
State Status Changed:	Deemer Date:
Created By: Mark Lucas	Submitted By: Mark Lucas
Corresponding Filing Tracking Number: RLSC-130799690	

### Filing Description:

RLI Insurance Company is submitting new and revised manual pages regarding the operation of Unmanned Aircraft. We are submitting these as part of our Home Business Insurance (HBI) Businessowners program. The HBI Manual pages are being revised to add Unmanned Aircraft Operations for the purpose of rating for first party coverage. We are adding the new Unmanned Aircraft Pages to explain the options for coverage, as well as the corresponding rating for liability coverage.

Given that this involves new coverage in the industry, we will closely monitor our experience for adequacy and appropriateness.

We are also submitting a corresponding form filing, SERFF Tracking Number RLSC-130799690.

We are requesting an effective date of March 1, 2017 for this filing.

Thank you,  
Mark P. Lucas

## Company and Contact

### Filing Contact Information

Mark Lucas, Sr. IDA Analyst	Mark.Lucas@rlicorp.com
9025 N. Lindbergh Drive	309-692-1000 [Phone] 5543 [Ext]
Peoria, IL 61615	

### Filing Company Information

RLI Insurance Company	CoCode: 13056	State of Domicile: Illinois
9025 N Lindbergh Drive	Group Code: 783	Company Type: P&C
Peoria, IL 61615	Group Name: RLI Insurance Group	Domestic Stock
(800) 331-4929 ext. [Phone]	FEIN Number: 37-0915434	State ID Number:

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## Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	RLI Insurance Company
<b>TOI/Sub-TOI:</b>	05.0 CMP Liability and Non-Liability/05.0002 Businessowners		
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## Rate Information

Rate data applies to filing.

<b>Filing Method:</b>	File and Use
<b>Rate Change Type:</b>	Neutral
<b>Overall Percentage of Last Rate Revision:</b>	0.000%
<b>Effective Date of Last Rate Revision:</b>	06/01/2010
<b>Filing Method of Last Filing:</b>	File and Use

## Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
RLI Insurance Company	0.000%	0.000%	\$0	0	\$4,883	%	%

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	RLI Insurance Company
<b>TOI/Sub-TOI:</b>	05.0 CMP Liability and Non-Liability/05.0002 Businessowners		
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## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		HBI Manual 01-2017	Pages 1-7	Replacement	RLSC-126391268	HBI Manual 2017, countrywide, 01-01-2017.pdf
2		Unmanned Aircraft Pages	Pages 1-3	New		Unmanned Aircraft Pages 2017, 01-01-2017.pdf

**RLI INSURANCE COMPANY**  
**HOME BUSINESS INSURANCE PROGRAM**  
**RATE/RULE PAGES**  
**Countrywide**

**BASE RATES**

Base Rates: \$5,000 of contents coverage at a single location, including personal property temporarily off premises.

\$300,000 liability coverage

Territory	Rate Group Z	Rate Group A	Rate Group B
001	\$297	\$239	\$159
002	\$239	\$201	\$159
003	\$201	\$159	\$159

Standard Deductible is \$250 (no deductible buy-back).

Minimum Earned Premium: The minimum earned premium is 25% of the final calculated rate.

Waiver of Premium: Any additional or return premium of \$5 or less may be waived when a transaction is processed subsequent to the policy inception date. At the request of the insured we will refund premium amounts equal to or less than \$5.

**OPTIONAL COVERAGES – AVAILABLE INDIVIDUALLY**

1) Additional Contents Coverage per \$100 (including personal property temporarily off premises):

Territory	Rate Group Z	Rate Group A	Rate Group B
001	\$6.25	\$2.90	\$2.00
002	\$4.20	\$2.00	\$1.40
003	\$2.75	\$1.40	\$0.95

Business Personal Property Coverage is available at a second location for an additional 20% of the contents rate.

2) Additional Insureds Coverage: \$20 per additional insured.

Additional Insureds Covered:

- BP 0406 Controlling Interest
- BP 0411 Co-Owner of Insured's Premises
- BOP 409 Designated Person or Organization (NY only)
- BP 0448 Designated Person or Organization (All states except NY)
- BOP 424 Dispatcher or Referral Service - Blanket
- BOP 431 Dispatcher or Referral Service – Scheduled
- BOP 408 Grantor of Franchise
- BOP 438 Grantor of Licenses
- BP 0416 Lessor of Leased Equipment
- BP 0402 Manager of Lessor of Premises
- BP 0410 Owner or Other Interests from Whom Land has been Leased
- BOP 407 State or Political Subdivision – Permits Relating to Premises

**RLI INSURANCE COMPANY  
HOME BUSINESS INSURANCE PROGRAM  
RATE/RULE PAGES  
Countrywide**

**OPTIONAL COVERAGES – AVAILABLE INDIVIDUALLY (continued)**

3) Money and Securities Coverage:

On/Off Premises	Additional Premium
\$1,000/\$1,000	\$ 30
\$2,000/\$1,000	\$ 59
\$3,000/\$1,000	\$ 88
\$4,000/\$1,000	\$117
\$5,000/\$2,000	\$147
\$7,500/\$2,000	\$237
\$10,000/\$5,000	\$288

4) Additional Premium for Increased Limits of Liability:

Increased Limits	Additional Premium
\$ 500,000	\$ 25
\$1,000,000	\$ 60
\$2,000,000	\$160

5) Federal Terrorism Coverage:

Territory	CA, LA, NY	NJ	All Other States
001	\$1	10% of premium	20% of premium
002	\$1	\$1	\$1
003	\$1	\$1	\$1

6) Increase Off Premises Limit on Business Personal Property Individual Items: \$20

Use endorsement: BOP 429, Limitation – Business Personal Property – Jewelry & Watches

7) Garagekeepers Coverage

Garagekeepers coverage is available for insureds who temporarily take possession of customers' autos in the normal conduct of their business. It provides protection for loss or damage to customers' autos while in the insured's care, custody or control.

- a) Coverage – coverage is available for comprehensive and collision causes of loss on the following basis:
- i. Legal liability;
  - ii. Direct coverage – primary basis (without regard to legal liability); or
  - iii. Direct coverage – excess over customer's policy (without regard to legal liability)

Comprehensive losses are subject to a \$250 per auto and \$1,000 maximum deductible for any one event. Collision losses are subject to a \$250 per auto deductible.

- b) Use endorsement: BOP 433, Garagekeepers Coverage – Home Business Insurance Program

- c) Premium determination – develop the premium using the ISO rules and rates in effect for RLI Insurance Company for Garagekeepers' Insurance for the commercial auto line of business as of the effective date of this rule page.

**RLI INSURANCE COMPANY**  
**HOME BUSINESS INSURANCE PROGRAM**  
**RATE/RULE PAGES**  
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8) Identity Fraud Expense Coverage

Identity Fraud Expense Coverage provides a \$25,000 aggregate limit of coverage to pay the expenses incurred by the insured as a direct result of any act of identity fraud discovered or learned of during the policy period; coverage also provides a \$5,000 aggregate limit of coverage for advertising expenses incurred by the insured to restore the insured's reputation after an event of identity fraud.

a) Use endorsement:BP 14 01, Identity Fraud Expense Coverage Endorsement

b) Premium determination – the premium for this coverage is as follows:

Basic limit: \$25,000 Identity Fraud Expense Aggregate Limit = \$35

Increased limits: Charge \$0.12 per \$100 of additional Identity Fraud Expense Limit

**GROUP/ORGANIZATION DEBITS AND CREDITS**

When writing group or organizations where expense differentials or uniform risk characteristics will affect the costs to the company, the following schedule of debits and credits applies. Where the group qualifies for a debit/credit, the debit/credit shall be extended to all members.

		Maximum Allowable	
		Debits	Credits
A)	Marketing Services Provided	10%	10%
B)	Hazardous Product Mix	10%	10%
C)	Off Premises Exposure	5%	5%
D)	Public Traffic on Premises	5%	5%
E)	Property in Transit Exposure	5%	5%
F)	Other Insurance	5%	5%
G)	Risk Management Services/Group Safety Program	0	10%
MAXIMUM		25%	25%

**RLI INSURANCE COMPANY  
HOME BUSINESS INSURANCE PROGRAM  
RATE/RULE PAGES**

**Countrywide**

**RATE GROUP DEFINITION - Eligible businesses**

<b>RATE GROUP Z</b>
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**INDUSTRY GROUPS INCLUDING BUT NOT LIMITED TO:**

Baking  
Beverage and Food Vending/Demonstration  
Entertainment  
Food Supplements/Vitamins (Mercantile)  
Personal Services  
Repair Services  
Wood Furniture Crafters  
Unmanned Aircraft Operations

<b>RATE GROUP A</b>
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**INDUSTRY GROUPS INCLUDING BUT NOT LIMITED TO:**

Bookbinding  
Business Services - including but not limited to Insurance Agents & Adjusters  
Ceramics  
Leather Goods  
Light Repair Services – including but not limited to  
    Clock & Watch Repair  
    Vinyl & Leather Goods Repair  
    Automobile Windshield Repair  
Mercantile Risks (Retail & Wholesale)  
Wood Products

<b>RATE GROUP B</b>
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**INDUSTRY GROUPS INCLUDING BUT NOT LIMITED TO:**

Home Based Offices  
Embroidery  
Energy Provider  
Engraving  
Gift Delivery Service  
Interior Decorating  
Models (individuals not modeling agencies)  
Pay Telephone Provider  
Personalized Books & Gifts  
Printers  
Publishers



**RLI INSURANCE COMPANY**  
**HOME BUSINESS INSURANCE PROGRAM**  
**RATE/RULE PAGES**

**Countrywide**

**TERRITORIAL DEFINITIONS (Use Business Address Zip Code)**

<u>State</u>	<u>Zip Code Sectionals</u>	<u>Territory</u>	<u>State</u>	<u>Zip Code Sectionals</u>	<u>Territory</u>
Alabama	365,366	001	Mississippi	395	002
Alabama	Remainder of State	003	Mississippi	Remainder of State	003
Alaska	Entire State	003	Missouri	Entire State	003
Arizona	Entire State	003	Montana	Entire State	003
Arkansas	Entire State	003	Nebraska	Entire State	003
California	900-908,916,919-921,940,941	001	Nevada	Entire State	003
California	943-948,950,951,962-966	001	New Hampshire	Entire State	002
California	910-915,917,918,924-933	002	New Jersey	070,071,084	001
California	937-939,942,952-954,958	002	New Jersey	081,086	003
California	Remainder of State	003	New Jersey	Remainder of State	002
Colorado	Entire State	003	New Mexico	Entire State	003
Connecticut	065	001	New York	100-104,110-119,122	001
Connecticut	Remainder of State	002	New York	Remainder of State	002
Connecticut	064,066,069	003	North Carolina	Entire State	003
District of			North Dakota	Entire State	003
Columbia	Entire District	001	Ohio	Entire State	003
Delaware	Entire State	003	Oklahoma	Remainder of State	002
Florida	330-332	001	Oklahoma	731-741	003
Florida	Remainder of State	002	Oregon	Entire State	003
Georgia	Entire State	003	Pennsylvania	191	001
Hawaii	Entire State	003	Pennsylvania	151	002
Idaho	Entire State	003	Pennsylvania	Remainder of State	003
Illinois	600-603,605,606	001	Rhode Island	Entire State	002
Illinois	Remainder of State	003	South Carolina	294,295	002
Indiana	Entire State	003	South Carolina	Remainder of State	003
Iowa	Entire State	003	South Dakota	Entire State	003
Kansas	Entire State	003	Tennessee	Entire State	003
Kentucky	Entire State	003	Texas	770-775, 750-753, 760	001
Louisiana	700,701,703-706	001	Texas	761, 776-778	001
Louisiana	Remainder of State	002	Texas	Remainder of State	002
Maine	Entire State	003	Utah	Entire State	003
Maryland	Entire State	003	Vermont	Entire State	003
Massachusetts	Remainder of State	001	Virginia	Entire State	003
Massachusetts	010,011,016-018,020,023	002	Washington	Entire State	003
Michigan	482	002	West Virginia	Entire State	003
Michigan	Remainder of State	003	Wisconsin	Entire State	003
Minnesota	Entire State	003	Wyoming	Entire State	003

**RLI INSURANCE COMPANY**  
**HOME BUSINESS INSURANCE PROGRAM**  
**RATE/RULE PAGES**  
**Countrywide**

**PREMIUM CALCULATION**

**Base Rate**

- 1) Determine the rate group based upon ISO Businessowners class codes as listed on the rate sheet.
- 2) Determine the rating territory based upon the rate territory definitions using the three-digit zip code.
- 3) Using this combination of factors, find base rate on the base rate matrix provided.

**Optional Coverages/Forms – Available Individually**

- 1) **Additional Contents Coverage:** This is contents coverage in excess of \$5,000, with Business Personal Property coverage also available at a second location. Select the rate from the appropriate rate group and territory for the risk. Apply the rate per \$100 of additional coverage desired at the first location. For contents at a second location, multiply the appropriate rate by 1.20 to obtain an adjusted rate. This adjusted rate should then be multiplied by the amount of contents at the second location (measured in \$100 increments).
- 2) **Additional Insureds Coverage:** Additional insured may be covered at the rate indicated per additional insured. The additional insured endorsements are listed on Rate/Rule Page 1 of 10.
- 3) **Money and Securities Coverage:** Money and securities are offered in various increments for the amount of premium indicated. Determine the amount of money and securities coverage desired and then determine the rate based upon the desired on/off premises limit.
- 4) **Increased Limits of Liability:** Increased limits are available based upon the level of limits desired. The insured may increase limits to a \$500,000 liability limit, a \$1,000,000 liability limit or a \$2,000,000 liability limit. Determine the limits desired, then apply the amount shown in the additional premium column.
- 5) **Abuse or Molestation Exclusion, BOP 402,** will be a mandatory attachment on all policies issued to insureds in those classes exhibiting a higher than normal incidence of individual contact with the general public. Such classes include, but are not limited to, Class Code 47475, Class Code 49890, and/or classes with similar exposures.
- 6) **Personal and Advertising Injury Exclusion, BOP 404,** will be attached to policies issued to insureds in classes which represent significant exposure beyond an @Home Business Policy and are more suited for a traditional BOP program. Such classes include, but are not limited to, Auctioneers, Translators, and Advertising Specialty Sales.
- 7) **Federal Terrorism Coverage:** apply the factor to the total premium for all other coverages, or add the rate shown.

**Rounding Rule**

When premium amounts are calculated, the following rounding rule will apply: if the amount calculated is less than \$0.50, the premium amount will be rounded down. If the premium amount is greater than or equal to \$0.50, the premium will be rounded up. Rounding is to the next whole dollar; apply to each coverage.

Examples:       Premium of \$179.50 will be rounded to \$180.  
                  Premium of \$179.49 will be rounded to \$179.

**RLI INSURANCE COMPANY**  
**HOME BUSINESS INSURANCE PROGRAM**  
**RATE/RULE PAGES**

**Countrywide**

**PREMIUM CALCULATION (continued)**

Premium Calculation Example 1

Applicant with \$5,500 of contents at first location and \$2,000 of business personal property stored at a second location resides in Rate Territory 002, whose business is classified as Picture Framing, which is in our Rate Group A (Mercantile Risks).

Applicant desires:           \$250 Deductible  
                                      2 Additional Insureds  
                                      \$1,000/\$1,000 Money/Securities Coverage  
                                      \$500,000 increased Limits of Liability  
                                      Federal Terrorism Coverage

The basic premium calculation would be as follows:

The two factors develop a rate group territory intersection in the rate matrix of Rate Group A, Territory 002, or \$201.

Basic Limits Rate Group A: Territory 002	\$201
Additional Contents Coverage:	
$[(5,500 - 5,000)/100] \times \$2.00 = \$10.00$	10
BPP at Second Location:	
$2,000/100 \times (\$2.00 \times 1.20) = \$48$	48
Additional Insured: 2 x \$20	40
Money and Securities: \$1,000/\$1,000	30
Increased Liability Limit to \$500,000	25
Federal Terrorism Coverage	<u>1</u>
Total	<b>\$355</b>

Premium Calculation Example 2

Same circumstances as above except the risk is in Territory 001.

The two factors develop a rate group territory intersection in the rate matrix of Rate Group A, Territory 001, or \$239.

Basic Limits Rate Group A: Territory 001	\$239
Additional Contents Coverage:	
$[(5,500 - 5,000)/100] \times \$2.90 = \$14.50$ (round)	15
BPP at Second Location:	
$2,000/100 \times (\$2.90 \times 1.20) = \$69.60$ (round)	70
Additional Insured: 2 x \$20	40
Money and Securities: \$1,000/\$1,000	30
Increased Liability Limit to \$500,000	<u>25</u>
Total before Federal Terrorism Coverage	419
Federal Terrorism Coverage: $\$419 \times 0.20 = \$83.8$ (round)	<u>84</u>
Total	<b>\$503</b>

**RLI INSURANCE COMPANY**  
**HOME BUSINESS INSURANCE PROGRAM**

**Unmanned Aircraft Pages**

**Rates and Rules for Unmanned Aircraft Operations**

As used in this rule, an unmanned aircraft means an aircraft that is not designed, manufactured or modified after manufacture to be controlled directly by a person from within or on the aircraft.

**Exclusion**

Form BP 15 11 Exclusion – Unmanned Aircraft will be attached to all policies that do not include Unmanned Aircraft coverage or Non-Owned Unmanned Aircraft Liability.

**Property Coverage**

**(1) Description of Coverage**

The unendorsed policy excludes aircraft including unmanned aircraft. Endorsement BOP 347 will remove the property section aircraft exclusion for scheduled unmanned aircraft, but when operated, only with respect to operations by the operator(s) described in the schedule.

Loss or damage to unmanned aircraft is subject to limitations. Coverage is provided for Specified Causes of Loss, theft or building glass breakage.

**(2) Endorsement**

When Industry Group, Unmanned Aircraft Operations, is used in rating the form BOP 347 Limited Coverage For Designated Unmanned Aircraft, will be attached.

**(3) Premium Determination**

Class rating the Business Personal Property limits and deductibles will apply.

**Liability Coverage**

**(1) Description of Coverage**

Coverage for bodily injury and property damage and/or personal and advertising injury may be excluded with respect to unmanned aircraft but with an exception to provide limited coverage for designated unmanned aircraft, but when operated, the exception only applies to designated operators.

**(2) Endorsement**

When Industry Group, Unmanned Aircraft Operations, is used in rating the form BOP 347 Limited Coverage For Designated Unmanned Aircraft, will be attached.

The Bodily Injury and Property Damage Limited Coverage exception is triggered by check box A in the schedule.

**RLI INSURANCE COMPANY  
HOME BUSINESS INSURANCE PROGRAM**

**Unmanned Aircraft Pages**

The Personal and Advertising Injury Limited Coverage exception is triggered by check box B in the schedule.

Check Box B should not be checked when Personal and Advertising Injury is excluded by endorsement or because the insured is engaged in the business of Advertising, broadcasting, publishing or telecasting; designing or determining content of web sites for others; or an internet search, access, content or service provider.

In addition to Check Boxes A and B, the schedule includes descriptions of covered unmanned aircraft and operators.

**(3) Premium Determination**

An additional liability charge applies per unmanned aircraft based on the policy business liability limit, the coverages provided, and the maximum gross takeoff weight of each aircraft.

Coverage Endorsement & Brief Description	Exclusion	Liability Occurrence Limit	Rate per unit for listed limit per occurrence with aggregate two times occurrence limit		
			Maximum Gross Takeoff Weight Range		
			Light (15 Lbs. or less)	Medium (Greater than 15 Lbs. but less than 55 Lbs.)	Heavy (55 Lbs. or more)
None  Applicable to all policies where another option is not selected	BP 15 11	Applicable to all limits	No Charge	No Charge	No Charge
BOP Form BOP 347 <b>Limited Coverage for Designated Unmanned Aircraft</b>  Coverage A & B selected	none	\$300,000 \$500,000 \$1,000,000 \$2,000,000	\$280 \$360 \$500 \$710	\$550 \$710 \$1,000 \$1,420	Refer to Company

**RLI INSURANCE COMPANY  
HOME BUSINESS INSURANCE PROGRAM**

**Unmanned Aircraft Pages**

<b>BOP Form BOP 347 Limited Coverage for Designated Unmanned Aircraft</b>  Coverage A only	Required exclusions are included in form	\$300,000	\$200	\$390	Refer to Company
		\$500,000	\$250	\$500	
		\$1,000,000	\$350	\$710	
		\$2,000,000	\$500	\$1,000	
<b>BOP Form BOP 347 Limited Coverage for Designated Unmanned Aircraft</b>  Coverage B only	Required exclusions are included in form	\$300,000	\$80	\$160	Refer to Company
		\$500,000	\$110	\$210	
		\$1,000,000	\$150	\$290	
		\$2,000,000	\$210	\$420	

**Non-Owned Unmanned Aircraft Liability**

- Charge ½ the premium for the anticipated weight class.
- Coverage of Non-Owned Unmanned Aircraft is available for all Industry Groups
- Attach the appropriate combination of coverage forms and exclusions shown above for the coverage selected (A&B, A only, or B only).
- When completing the selected coverage form, under Description of Unmanned Aircraft, enter
  - If rating for a light or medium unmanned aircraft, “Unmanned Aircraft up to XX pounds not owned by or rented or loaned to you”, where XX equals the maximum weight allowed under the weight class selected (15 or 55).
  - If rating for a heavy unmanned aircraft, “Unmanned Aircraft up to XX pounds not owned by or rented or loaned to you”.
- When completing the selected coverage form, under Aircraft Operator(s), enter
  - “Any licensed operator when operating unmanned aircraft not owned by or rented or loaned to you.”

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## Supporting Document Schedules

<b>Bypassed - Item:</b>	Consulting Authorization
<b>Bypass Reason:</b>	No third party filer is involved in this filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Certification (P&C)
<b>Comments:</b>	Rate/Rule Explanatory Memorandum is attached.
<b>Attachment(s):</b>	DC Rate-Rule Explanatory Memorandum.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
<b>Comments:</b>	Experience and Loss Ratio Analysis are included in the attached exhibits.
<b>Attachment(s):</b>	HBI DC Full Indication.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
<b>Comments:</b>	Please see the exhibits attached to the Experience item above.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

**RLI Insurance Company**

**Home Business Insurance Businessowners Program**

**Rate/Rule Explanatory Memorandum**

**District of Columbia**

RLI Insurance Company is making a revision to our Home Business Insurance Businessowners Program. We are filing updated manuals to include Unmanned Aircraft rates, rules and adding this class to an existing Rate Group. ISO recently developed an optional Unmanned Aircraft exclusion, and we are introducing optional Unmanned Aircraft coverage. Given that this is a new coverage in the industry with very little identified loss experience, we have relied upon the experience of management and underwriters and their knowledge of the market to determine our initial rates. While we believe that the rates resulting from this submission will not be excessive, inadequate, or unfairly discriminatory, we will closely monitor our experience for rate adequacy and appropriateness. Actuarial Exhibits I-V are included with this filing and develop the proposed base rate.

We have revised the HBI Manual. New rate/rule pages added to the manual, Unmanned Aircraft Pages, gives a detailed explanation of the new coverage.



RLI Insurance Company  
Home Business Insurance  
Number of Policyholders  
District of Columbia

Inforce as of 12/31/2015

Countrywide	10,559
District of Columbia	12

RLI Insurance Company  
Home Business Insurance  
Rate Level Indication  
District of Columbia

Loss and premium data as of: 12/31/2015

**District of Columbia Data**

Measured rate need as of: 3/1/2017

Accident Year	Earned Premium	On Level Factors	Trend Factors	Premium On Level	Reported Loss/ALAE	LDF	Trend Factors	Ult Trended Loss/ALAE	Loss Ratio	Weights	Wtd LR
2011	4,127	1.000	1.123	4,634	325,609	1.000	1.171	381,353	8229.2%	10.0%	
2012	4,324	1.000	1.102	4,765	-	1.000	1.144	-	0.0%	20.0%	
2013	3,872	1.000	1.082	4,188	368	1.007	1.117	414	9.9%	20.0%	
2014	3,712	1.000	1.061	3,940	-	1.170	1.091	-	0.0%	25.0%	
2015	3,294	1.000	1.042	3,431	-	1.559	1.065	-	0.0%	25.0%	
	19,330			20,959	325,977			381,767	1821.5%	100.0%	824.9%

(a)	PERMISSIBLE LOSS/ALAE RATIO		46.3%
(d)	STATE CLAIMS > \$10 IN EXPERIENCE PERIOD		2
(e)	COEFFICIENT OF VARIATION OF COUNTRYWIDE CLAIMS		4.66
(f)	STATE DATA CREDIBILITY	Square root of { $d / (1082 \times (1 + e^2))$ }	0.009
(g)	CREDIBILITY WEIGHTED LOSS/ALAE RATIO	Wtd L/R x f + CW Cred Wtd L/R x (1 - f)	49.4%
(h)	INDICATED RATE CHANGE	$g / a - 1$	6.7%

RLI Insurance Company  
Home Business Insurance  
Rate Level Indication  
Countrywide

Loss and premium data as of: 12/31/2015

**Countrywide Data**

Measured rate need as of: 3/1/2017

Accident Year	Earned Premium	On Level Factors	Trend Factors	Premium On Level	Reported Loss/ALAE	LDF	Trend Factors	Ult Trended Loss/ALAE	Loss Ratio	Weights	Wtd LR
2011	3,700,547	1.004	1.123	4,172,337	620,149	1.000	1.171	726,319	17.4%	20.0%	
2012	3,668,572	1.004	1.102	4,058,938	297,867	1.000	1.144	340,670	8.4%	20.0%	
2013	3,604,373	1.004	1.082	3,913,722	207,609	1.007	1.117	233,419	6.0%	20.0%	
2014	3,547,387	1.004	1.061	3,780,257	283,469	1.170	1.091	361,657	9.6%	20.0%	
2015	3,432,991	1.003	1.042	3,585,128	172,393	1.559	1.065	286,287	8.0%	20.0%	
	17,953,870			19,510,381	1,581,487			1,948,352	10.0%	100.0%	9.9%
(a)	PERMISSIBLE LOSS/ALAE RATIO										46.3%
(b)	YEARS SINCE LAST RATE CHANGE (MAX 1)										1.00
(c)	TRENDED EXPECTED LOSS/ALAE RATIO										$a \times (1 + \text{Loss trend})^b$ 47.4%
(d)	COUNTRYWIDE CLAIMS > \$10 IN EXPERIENCE PERIOD										443
(e)	COEFFICIENT OF VARIATION OF COUNTRYWIDE CLAIMS										4.66
(f)	COUNTRYWIDE DATA CREDIBILITY										$\text{Square root of } \{ d / (1082 \times (1 + e^2)) \}$ 0.134
(g)	CREDIBILITY WEIGHTED LOSS/ALAE RATIO										$\text{Wtd L/R} \times f + c \times (1 - f)$ 42.4%
(h)	INDICATED RATE CHANGE										$g / a - 1$ -8.5%

## 12/31/2015

Cumulative Incurred Direct Losses &amp; ALAE

[illegible]



RLI Insurance Company  
Home Business Insurance  
Rate Level Adjustment Factors  
District of Columbia

**District of Columbia Data**

Rate Change History	
Date	Change
1/1/2011	0.0%
1/1/2012	0.0%
1/1/2013	0.0%
1/1/2014	0.0%
1/1/2015	0.0%

**Countrywide Data**

Rate Change History	
Date	Change
1/1/2011	0.0%
1/1/2012	0.0%
1/1/2013	0.0%
1/1/2014	0.0%
3/1/2015	0.4%

AY	Earned Premium	Avg Earned Index	Earned On-Level Adjustment Factor
2011	4,127	1.000	1.000
2012	4,324	1.000	1.000
2013	3,872	1.000	1.000
2014	3,712	1.000	1.000
2015	3,294	1.000	1.000

AY	Earned Premium	Avg Earned Index	Earned On-Level Adjustment Factor
2011	3,700,547	1.000	1.004
2012	3,668,572	1.000	1.004
2013	3,604,373	1.000	1.004
2014	3,547,387	1.000	1.004
2015	3,432,991	1.001	1.003

RLI Insurance Company  
Home Business Insurance  
Trend Factors  
District of Columbia

Effective Date Range: 3/1/2017 3/1/2018 Assumes rates to be effective for one year

Date of Average Earned Premium: 8/30/2017

Date of Average Accident: 3/1/2018

Accident Year	Projection Date	Trend Period	Premium Trend	Trend Period	Loss Trend
2011	7/1/2011	6.16	1.123	6.66	1.171
2012	7/1/2012	5.16	1.102	5.66	1.144
2013	7/1/2013	4.16	1.082	4.66	1.117
2014	7/1/2014	3.16	1.061	3.66	1.091
2015	7/1/2015	2.16	1.042	2.66	1.065

Loss Trend: 2.4%

Premium Trend: 1.9%

Trends from ISO Circular AS-CF-2016-017

RLI Insurance Company  
Home Business Insurance  
Underwriting Profit and Investment Income  
District of Columbia

US Treasury Rates as of: 9/30/2016  
1 Year US Treasury Rate: 0.59%  
2 Year US Treasury Rate: 0.77%  
3 Year US Treasury Rate: 0.88%  
5 Year US Treasury Rate: 1.14%  
7 Year US Treasury Rate: 1.42%  
10 Year US Treasury Rate: 1.60%  
20 Year US Treasury Rate: 1.99%  
30 Year US Treasury Rate: 2.32%

a = payment midpoint

Target Rate of Return: 6.3% b = Exhibit IX  
Investment Return on Surplus: 0.6% c = a  
Premium/Surplus Ratio: 2.72 d = Exhibit IX  
Tax Rate: 35.0% e  
Target Gross Profit & Contingencies: 3.6% f = b / d / (1 - e)  
Expense Ratio: 50.8% g = Exhibit XI  
Investment Income: 0.7% h = c / d + j x u  
Target Net Profit & Contingencies: 2.9% i = f - h  
Permissible Loss&LAE Ratio: **46.3%** j = 1 - g - i

o Year	p = Exhibit X Paid LDF	q = chg 1 / p % Paid	r = note 1 % Investible	s = note 2 Treasury Yield	t=(1+b)^(k-1.5) Discount	u = n x o x p Disc. Inv. Inv.
1	1.924	51.96%	87.01%	0.59%	1.000	0.51%
2	1.262	27.26%	34.41%	0.95%	0.970	0.32%
3	1.051	15.95%	12.80%	1.10%	0.912	0.13%
4	1.015	3.34%	3.16%	1.53%	0.858	0.04%
5	1.002	1.31%	0.84%	1.53%	0.807	0.01%
6	1.000	0.19%	0.09%	2.12%	0.759	0.00%
7	1.000	0.00%	0.00%	2.12%	0.714	0.00%
8	1.000	0.00%	0.00%	2.02%	0.671	0.00%
9	1.000	0.00%	0.00%	2.02%	0.632	0.00%
10	1.000	0.00%	0.00%	2.02%	0.594	0.00%
						1.01%

1) Assumes that payments are made halfway through the year except for the first year which are 3/4.

2) Treasury yield uses the forward rates implied by the treasury rates above.



RLI Insurance Company  
Home Business Insurance  
Target ROS and Premium/Surplus Ratio  
District of Columbia

**Target Rate of Return on Surplus**

	a = note 1	b = note 1	c = Avg (a, b)	d = note 1	e = note 1	f = d - e	g = f / c
	<b>Policyholders'</b>	<b>Prior</b>	<b>Average</b>	<b>Net</b>	<b>Realized</b>	<b>Adjusted</b>	<b>Adjusted</b>
	<b>Surplus</b>	<b>PHS</b>	<b>PHS</b>	<b>Income</b>	<b>Capital Gains</b>	<b>Net Income</b>	<b>ROE</b>
2009	519,877,293	464,721,252	492,299,273	30,404,166	(7,683,576)	38,087,741	7.7%
2010	563,562,630	519,877,293	541,719,962	37,547,839	7,874,666	29,673,173	5.5%
2011	560,310,921	563,562,630	561,936,776	20,519,067	7,634,041	12,885,025	2.3%
2012	596,600,483	560,310,921	578,455,702	38,723,259	8,749,829	29,973,430	5.2%
2013	666,016,147	596,600,483	631,308,315	71,800,722	18,508,582	53,292,140	8.4%
2014	687,979,802	666,016,147	676,997,974	64,959,158	11,888,058	53,071,100	7.8%
2015	687,484,189	687,979,802	687,731,995	58,306,925	10,084,742	48,222,182	7.0%
Straight Average:							6.3%
Weighted Average:							6.4%
Selected P/C Insurance Industry ROS excluding Capital Gains:							6.3%
Selected Adjustment to Industry ROS:							0.0%
Target ROS excluding Capital Gains:							<u>6.3%</u>

1) Data from SNL, P&C Industry (\$000 omitted)

**Premium-to-Surplus Ratio**

	a = note 1	b = note 1	c = Avg (a, b)	d = note 1	e = d / c
	<b>Policyholders'</b>	<b>Prior</b>	<b>Average</b>	<b>Earned</b>	<b>P/S</b>
	<b>Surplus</b>	<b>PHS</b>	<b>PHS</b>	<b>Premium</b>	<b>Ratio</b>
2015	865	849	857	700	<b>0.82</b>

1) Data from Combined RLI Insurance Company Group Annual Statement, in millions

Selected risk relative to overall RLI Group portfolio:	30%	
Selected P/S ratio for :	2.72	= 0.82 / 30%

RLI Insurance Company  
Home Business Insurance  
Payment Pattern - Loss Development Factors  
District of Columbia

**Loss Development Factors**

Countrywide Cumulative Paid Losses & ALAE										
	12	24	36	48	60	72	84	96	108	120
2006	248,861	419,529	462,469	476,562	476,935	476,935	476,935	476,935	476,935	476,935
2007	212,464	434,245	455,182	521,021	536,093	536,093	536,093	536,093	536,093	
2008	255,043	371,268	417,534	422,698	422,698	422,698	422,698	422,698		
2009	134,919	219,895	234,015	236,861	245,391	249,141	249,141			
2010	245,125	338,684	339,580	339,580	339,580	339,580				
2011	202,870	253,182	599,098	609,585	620,149					
2012	205,183	265,490	297,867	297,867						
2013	141,043	206,109	207,609							
2014	179,097	273,466								
2015	158,664									
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-Ult
Volume Wtd.	1.525	1.201	1.035	1.013	1.002	1.000	1.000	1.000	1.000	1.000
Selected	1.525	1.201	1.035	1.013	1.002	1.000	1.000	1.000	1.000	1.000
Paid LDF	1.924	1.262	1.051	1.015	1.002	1.000	1.000	1.000	1.000	1.000

RLI Insurance Company  
Home Business Insurance  
Expense Ratios  
District of Columbia

RLI Insurance Co., Lines 5.1 & 5.2

Source: IEE Part III (in '000's)

Calendar Year	Written Premium	Commission	%	Other Acquisition	%
2011	10,351	1,813	17.5%	1,086	10.5%
2012	12,900	2,336	18.1%	1,173	9.1%
2013	13,167	2,436	18.5%	2,958	22.5%
2014	14,219	2,634	18.5%	2,534	17.8%
2015	15,296	2,869	18.8%	3,495	22.8%
Total	65,933	12,088	18.3%	11,246	17.1%

Calendar Year	Earned Premium	General Expense	%
2011	9,317	949	10.2%
2012	11,574	943	8.1%
2013	13,031	1,176	9.0%
2014	13,367	1,166	8.7%
2015	14,719	1,769	12.0%
Total	62,008	6,003	9.7%

RLI Insurance Co., Lines 5.1 & 5.2

Source: Statutory Page 14, District of Columbia

Calendar Year	Written Premium	Tax, Lic., & Fees	%
2011	4,618	126	2.7%
2012	28,892	729	2.5%
2013	29,173	664	2.3%
2014	38,351	823	2.1%
2015	39,083	853	2.2%
Total	140,117	3,195	2.3%

Selected Expenses:

Commission	18.5%
Other Acquisition	20.0%
General	10.0%
Taxes, Licenses & Fees	2.3%

Subtotal 50.8% a = sum of selected expenses

Net Profit & Contingencies 2.9% b = per Underwriting Profit and Investment Income Exhibit

Total 53.7% c = a + b

Permissible Loss/LAE ratio 46.3% d = 1.00 - c

RLI Insurance Company  
 Home Business Insurance  
 Drone Support  
 District of Columbia

Direct loss experience is lacking for the industry for unmanned aircraft.  
 Estimates of frequency and severity are thus provided for our initial premium estimate.

<u>Cause of Loss</u>	<u>Estimated Severity</u>	<u>Estimated Frequency</u>	<u>Pure Premium</u>
Fell & Struck Claimant	\$ 25,000	0.50%	\$ 125.00
Personal Injury	\$ 30,000	0.25%	\$ 75.00
			<u>\$ 200.00</u>
	\$ 200.00	Estimated annual policy losses	
		4.8% CW ALAE load as % of incurred loss	
		10.5% CW ULAE load as a % of incurred loss & ALAE	
		2.16 Expense loading = 1/(Permissible Loss & LAE ratio)	
	\$ 500.27	Calculated Drone Premium	
	\$500	Selected Drone Premium*	

\* Selected drone premium is the proposed base rate for Coverages A & B at \$1,000,000 limit